

**October 1998**

# **The Future of Electric Service in North Carolina**

## **Task 1: Public Hearings**

### **Final Report**

Prepared for

**Legislative Study Commission on the  
Future of Electric Service in North Carolina**

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# Executive Overview

North Carolina citizens were most concerned about

- ▶ assurance of fairness and equity among all customer classes,
- ▶ reliability of the power supply,
- ▶ universal access to electric energy and assignment of responsibility to provide it,
- ▶ stranded investment costs and benefits, and
- ▶ customer choice of electric providers.

The Legislative Study Commission on the Future of Electric Service in North Carolina hosted eight public hearings across the state over a 3-month period in early 1998. Approximately 1,850 people attended these hearings. The Commission gathered public comments on restructuring the electric utility industry as part of its mission to recommend whether North Carolina should restructure, and if so, how. Although many stakeholder groups were well represented at these hearings, many speakers were private citizens who felt compelled to express their concerns. The average citizen was not underrepresented at these hearings. For example, parents spoke about the need for customer choice to reduce their electric bills. Young people wanted the public to be more aware of our dependence on fossil fuels and the need for renewable energy sources. Senior citizens wanted their investments in utilities to be protected.

This executive overview discusses the topics most frequently mentioned at the eight public hearings. It also indicates some regional patterns that were evident from examining the topics raised at the hearings. Citizens frequently commented on the Commission's study process itself, so we include a brief discussion of those comments. Finally, many attendees and members of the Commission noted that the public needs to be better educated about this issue. Many people were confused about which portion of the electric utility industry was the subject of discussion at these hearings.

## 1. MOST FREQUENTLY MENTIONED TOPICS

Approximate Number of Attendees and Number of Speakers:

- ▶ Asheboro: 250, 36
- ▶ Elizabeth City: 300, 27
- ▶ Wilmington: 300, 56
- ▶ Gastonia: 250, 44
- ▶ Statesville: 175, 32
- ▶ Boone: 125, 30
- ▶ Asheville: 200, 37
- ▶ Raleigh: 250, 63

North Carolina citizens had comments about most of the topics listed in Senate Bill 38. Based on comments heard at the eight public hearings held across the state, citizens were most concerned about five topics listed in the bill:

- ▶ assurance of fairness and equity among all customer classes,
- ▶ reliability of the power supply,
- ▶ universal access to electric energy and assignment of responsibility to provide it,
- ▶ stranded investment costs and benefits, and
- ▶ customer choice of electric providers.

Table 1 is a matrix showing the topics raised most frequently at each hearing. Assurance of fairness and equity, reliability, and stranded costs were mentioned at every hearing. Universal access and customer choice were mentioned at most hearings.

### 1.1 Assurance of Fairness and Equity Among All Customer Classes

Most speakers wanted assurance that all customer classes would receive fair treatment. Many people assumed large users would benefit more than residential users and small businesses.

Most people wanted all citizens to receive service at a reasonable cost. Several speakers wanted assurance that after restructuring residential customers and small businesses would receive equal treatment compared to large industrial users. Many citizens feared big businesses would be able to negotiate low rates while smaller users would have to compensate by paying higher rates. At all of the hearings, people cited examples of restructuring of other industries, such as telecommunications, airline, and cable, where large users benefited more than small users. At two hearings, citizens suggested that the state open up competition in the residential market first to see how it worked, then extend it to other customers if residential users benefited from competition. Small business people, representatives of local Chambers of Commerce, and proponents of downtown revitalization efforts asked the Commission to consider the impact of restructuring on small businesses.

In contrast, large users who primarily supported restructuring claimed all customer classes would be treated fairly. Several

Table 1. Main Topics Mentioned by North Carolina Citizens at the Eight Public Hearings<sup>a</sup>

Topics in Senate Bill 38	Asheboro	Elizabeth City	Wilmington	Gastonia	Statesville	Boone	Asheville	Raleigh
Assurance of Fairness	●	●	●	●	●	●	●	●
Reliability	●	●	●	●	●	●	●	●
Fair Treatment								
Universal Access	●	●			●	●	●	●
Reciprocity								
Stranded Costs	●	●	●	●	●	●	●	●
State/Fed Jurisdictions								
Environmental Impact	●						●	
Tax Revenues	●	●			●		●	
Alternative Forms								
Obligation to Serve								
Subsidies/Tax Preferences	●							
Customer Choice	●	●	●	●	●		●	●
Unbundling								
Low-Income Customers								●
Renewable Energy	●		●			●		
State/Local Expenditures								
Economic Development			●	●	●		●	●
Municipal Utilities/								
Co-ops								
Anticompetitive Conduct								
Other								

<sup>a</sup>A blank cell does not necessarily indicate that a topic was not mentioned at all at the hearing. It only indicates that it was not mentioned by a significant number of people.

representatives of large companies said they supported restructuring only if everyone would benefit. They said residential customers would receive lower rates because they would be able to choose providers.

## 1.2 Reliability of Power Supply

In general, residential and small business customers and farmers were most concerned about receiving reliable service.

North Carolina citizens were satisfied with the reliable service they have now. They wanted the Commission to assure them that their reliable service would not decline but would be maintained or improved. Citizens from the coast to the mountains recounted stories of quick response by their power providers after storms knocked out their power. They were concerned that power providers located in other states would not care about circumstances in North Carolina.

Farmers stressed their need for reliable service; a power outage can mean a significant loss of income for them when crops or livestock are damaged. Small business owners face the same predicament if they lose power. The same is true for the state's tourist attractions, which bring in thousands of dollars a day. Advocates for the disabled stressed the need for reliable service for this population.

In addition, citizens raised the issue of future capacity. They talked about the need for a back-up power system. Some people said the state needs to ensure generating capacity for 10 to 20 years down the road.

Many citizens, particularly senior citizens, were concerned about how response to outages would be handled. They wondered who they would call if they needed repairs or had problems with their service.

## 1.3 Universal Access to Electric Energy and Assignment of Responsibility to Provide It

Rural residents did not want to be left with few choices while urban areas experienced significant benefits of restructuring.

Many of the hearings were located in predominantly rural areas, and citizens in these areas voiced the same concern: will rural areas be left behind as they were in the 1930s when the investor-owned utilities did not believe it was cost-effective to provide power in these areas? Many people told stories about the formation of Electricities and the local co-ops to provide power to these areas. They did not want to be left with few choices while urban

areas experienced significant benefits of restructuring. They feared power providers would think they cannot make money serving rural areas.

#### **1.4 Stranded Investment Costs and Benefits**

ElectriCities members, as well as other citizens, asked the Commission to spread stranded costs over all ratepayers. They emphasized that their small communities would not be able to pay the portion of the debt they owe.

Many people were uncomfortable with the uncertainty surrounding the stranded cost issue. Many speakers served by ElectriCities members advocated uniform recovery of stranded costs from all electric ratepayers. They hoped the Commission would not require them to pay their entire debt. They stated that their communities would go bankrupt if they had to pay this debt, thus lowering the state's bond rating. They claimed the 51 ElectriCities members helped the investor-owned utilities provide low-cost power to their customers over the years, so ratepayers in cities across the state actually benefited from this arrangement. These speakers said that, because ratepayers across the state benefited, they should also share the responsibility for paying the debt.

On the other hand, many people who spoke about the stranded cost issue did not want these costs spread across all ratepayers. They did not want to pay a debt that they did not incur. Many people pointed out that they were not even born at the time the ElectriCities debt was incurred.

#### **1.5 Customer Choice of Electric Providers**

*In general, across all of the hearings, large power users and solar energy advocates favored customer choice.*

In general, across all of the hearings, large power users and solar energy advocates favored customer choice. They said customers will be able to choose lower-cost providers and providers who use renewable energy. Several people noted that North Carolina has some of the highest electricity rates in the southeastern United States. They claimed these high rates hurt senior citizens and low-income consumers. Supporters of customer choice said schools will save money that they can use to buy much-needed supplies. Hospitals will save money and pass on these savings to customers.

Some issues were not mentioned by citizens at any of the hearings:

- ▶ clarification of state and federal jurisdictions;
- ▶ functional unbundling of electric power generation, transmission, and distribution services;
- ▶ impact of competition on the energy expenditures by state and local government; and
- ▶ prevention of anticompetitive or discriminatory conduct or the unlawful exercise of market power.

Representatives of the Solar Energy Association spoke at most of the hearings and advocated accepting the portfolio standard that the North Carolina Energy Policy Advisory Board adopted in 1990, which stipulates 20 percent of our energy source will be renewable by 2010.

Large industrial users said they need lower rates to be competitive in their markets. Many of them compete with companies located elsewhere in the United States and abroad who pay lower rates for their electricity. They said companies may base location decisions on electricity rates, and North Carolina may lose business if it does not restructure soon. They believed customer choice would mean increased competitiveness, more jobs, and heightened economic development for the state.

In particular, Elizabeth City area citizens supported customer choice. Speakers at this hearing said they pay some of the highest electric rates in the state. Many people at this hearing noted a significant rate difference within their community because they purchase power from different providers and could not change providers to get a lower rate. Some of these citizens were angry because they cannot choose providers—they wanted to be able to shop for lower rates.

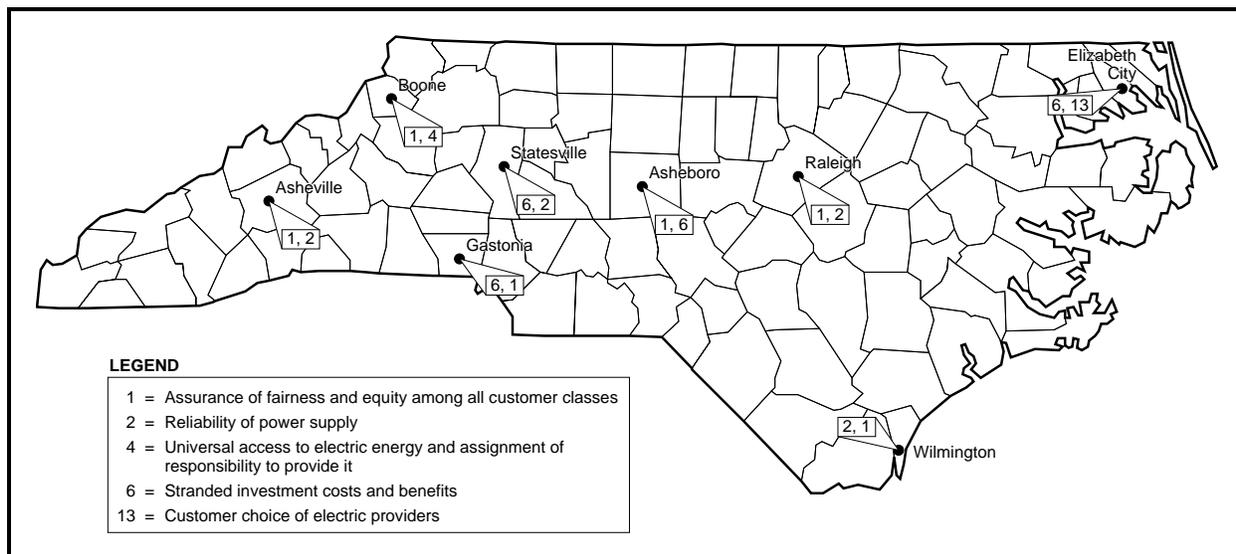
## 2. REGIONAL PATTERNS

ElectriCities members were concerned about having to pay the \$6 billion debt associated with stranded costs. Wilmington area citizens were worried about reliability and the restoration of power after storms. Citizens in other parts of the state wanted to know that all customer classes would be treated fairly.

Figure 1 illustrates the location of each hearing and the two most frequently mentioned topics at each. Some regional patterns are evident from this map. Attendees at the hearings in Elizabeth City, Gastonia, and Statesville most frequently mentioned stranded costs in their comments. These cities and nearby communities are ElectriCities members and are concerned about large debt repayments. They made the case that they will go bankrupt if forced to pay this debt, thus damaging the state's bond rating. They asked the Commission to recommend uniform recovery of stranded costs.

Citizens in the Wilmington area mentioned reliability most often, perhaps because these coastal communities are more frequently affected by power outages from severe storms than other parts of the state. Several speakers told stories of prompt service after

**Figure 1. Location of Eight Public Hearings and the Two Most Frequently Mentioned Topics at Each**



Hurricane Fran and other recent storms. They wanted assurance that they would receive the same level of service when the industry is restructured. They were not convinced that out-of-state providers would address their problems in a timely manner.

North Carolina citizens at the remaining hearings most frequently mentioned assurance of equity and fairness among all customer classes. Many speakers were residential and small business customers who were afraid large users would benefit more from restructuring. They were concerned that they would not have the bargaining power that large users would have to negotiate low rates.

### 3. THE LEGISLATIVE STUDY COMMISSION'S PROCESS

Across the state, people wanted the Commission to study all of the issues, gather information, and take its time in determining a course of action.

Most people urged the Commission to gather all of the facts and study the issues carefully. Many speakers asked the Commission to study the experiences of other states that have restructured their electric utility industries and to learn from their mistakes.

However, other people urged the Commission to act swiftly so that South Carolina and Virginia would not implement a plan before North Carolina decides on a plan.

Some citizens favored some type of restructuring of the industry but not necessarily complete restructuring. Several citizens wanted the opportunity to comment on a set of recommendations developed by the Commission before it presents them to the General Assembly. A couple of people wanted to vote on a plan.

Citizens mentioned topics not explicitly listed in Senate Bill 38, such as consumer protection, impact on investor-owned utilities' stock value, the annoyance of telemarketers, corporate citizenship, line safety, and utilities expanding into other markets. They hoped the Commission would consider these topics in its discussions.

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#### **4. EDUCATING THE PUBLIC**

The lack of understanding of the issues was apparent at these eight hearings. Citizens do not completely understand that only the generation portion of the electric utility industry is the subject of the restructuring discussion.

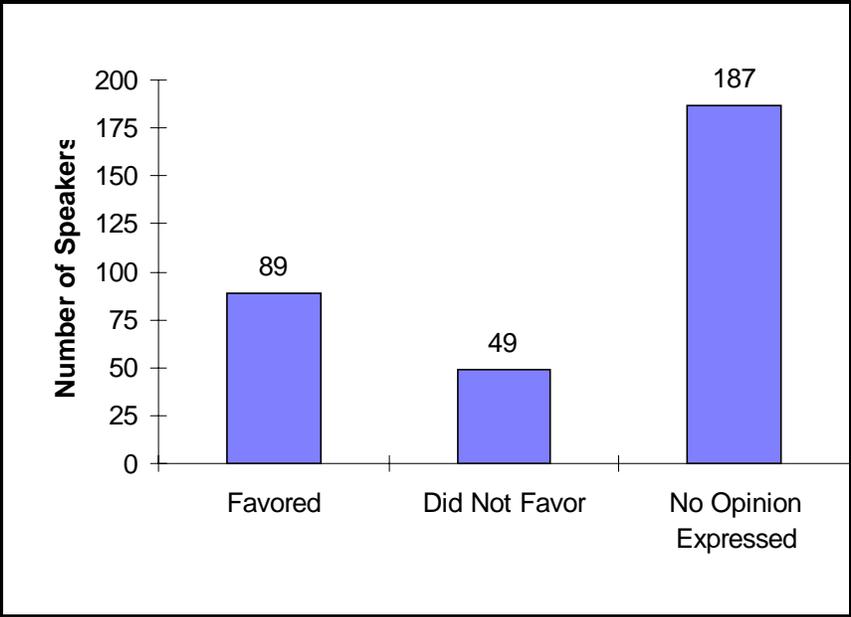
Some speakers at these hearings noted that many citizens did not seem to understand the part of the electricity industry that was being discussed at these hearings on restructuring. Many people did not seem to realize the Commission is studying restructuring of the generation portion of the industry only; the transmission and distribution systems would remain regulated. This misunderstanding seemed to fuel the concern about reliability. Citizens were not sure who they would call when they lost their power. They were concerned about the possibility of having to call someone located in another state who might not understand the urgency of the problem.

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#### **5. CONCLUSIONS**

Many people expressed serious concerns about restructuring, without expressing a definite opinion either "for" or "against" it. Those people favoring restructuring were straightforward in their comments; they stated explicitly that they supported restructuring and customer choice. Figure 2 lists the breakdown of those who favored, did not favor, or had no opinion about restructuring.

**Figure 2. Number of Speakers Expressing an Opinion about Restructuring**



# Asheboro Public Hearing

<b>Commission Members or Their Representatives and Commission Staff</b>	
Jane "Dee" Bagley, Commission Clerk	Charles McKeller, Vice President of Glen Raven Mills, Inc. (Glen Raven)
Rep. Jerry Dockham (Davidson Co.)	Rep. Edwin McMahan (Mecklenburg Co.)
Sen. David Hoyle, Co-chair (Gaston Co.)	Rep. Frank Mitchell (Iredell Co.)
Carolyn Johnson, Commission Counsel	Sheila Hale Ogle, President of Media Research Planning and Placement (Cary)
William Johnson (representing William Cavanaugh, CEO) CP&L (Raleigh)	Steven Rose, Commission Counsel
Henry Knight, President of Electronics Unlimited (Raleigh)	Anna Turnage (representing Jesse Tilton, CEO) Electricities of NC (Raleigh)
Rep. Daniel McComas, Co-chair (New Hanover Co.)	

This report summarizes the comments heard by the Commission on the Future of Electric Service in North Carolina at the hearing held in Asheboro, North Carolina, on February 19, 1998. About 250 people attended the 2-hour hearing, and 36 people spoke. This report is organized according to the issues raised by hearing attendees. First, we address comments on the study's topics listed in Senate Bill 38. Only study topics that were mentioned frequently in the hearing are highlighted. The topics are presented in the order of frequency with which attendees raised them, so the most frequently mentioned topic is discussed first. After discussing the study topics, we briefly discuss topics related to the study process itself.

Most people at the Asheboro hearing did not express a definite opinion about restructuring, although they cautioned the Commission to carefully consider all issues. Many residents who made comments live in rural areas and said they might not be offered fair rates compared to large businesses and urban residents. When presented with the possibility of restructuring the electric industry in North Carolina, Asheboro area citizens' primary concern was assurance of fairness and equity among all customer classes. Five other frequently mentioned issues were the impact of competition on renewable energy, conservation, and efficiency programs; stranded investment costs and benefits; the reliability of power supply; universal access to electric energy and assignment of responsibility to provide it; and the environmental impact of restructuring. Other topics listed in Senate Bill 38, such as the impact of competition on tax revenues, customer choice of electric providers, and ways to eliminate or equalize subsidies and tax preferences, were mentioned by only one or two people. Citizens also remarked on consumer protection issues.

## **1. STUDY TOPICS IN SENATE BILL 38**

### **1.1 Assurance of Fairness and Equity Among All Customer Classes**

Many citizens were concerned about fair treatment for all classes of customers. They hoped urban and big business customers would not receive lower electric rates than they would receive.

Several citizens wondered if residential ratepayers would get a fair deal compared to big businesses. An AARP representative noted that mechanisms should be in place to ensure that low-cost power is provided to residential customers. Many people thought residents might have to pay more for their power than they do now, while businesses may have lower rates. They said the increased costs will be passed on to the residential user.

Some speakers worried about the impact on certain types of residential customers. A couple of people noted that senior citizens, who often live on a fixed income, may be adversely affected by restructuring. Some people questioned how restructuring would affect North Carolina's poor. A representative from a social services organization said that 13 percent of North Carolina's population is poor; he wondered who would help them choose an electric provider.

Other people, such as the director of a downtown development organization, focused on the impact on small businesses that may have a hard time paying higher electric bills.

### **1.2 Impact of Competition on Renewable Energy, Conservation, and Efficiency Programs**

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*“Around the country people are ready to pay more for the use of renewables in the provision of energy.”*

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Several citizens were concerned about how restructuring will affect the use of renewable energy. They stressed the need for citizens to have incentives to use renewable sources of energy. One hearing attendee who builds commercial/industrial office buildings and who is interested in energy efficiency urged the Commission to include energy-efficiency incentives and renewable energy incentives in the restructuring plan. An architect who builds passive solar homes said residents are willing to pay for renewable energy sources. Another citizen suggested increasing the use of renewable energy and considering the up-front costs of renewable energy and incentives for people to use this type of energy. Representatives of small hydro generators said they want people to have the option of choosing hydroelectric power after restructuring. One small hydro representative noted that small hydros do not hurt large utilities. Another citizen recommended tax credits for people who use energy-efficient measures.

### **1.3 Stranded Investment Costs and Benefits**

Lexington area citizens were concerned about stranded investments because of their experience with purchasing an interest in a nuclear power plant in the early 1980s that left them with a high-cost plant.

Several citizens wanted assurance that stranded costs would be treated responsibly. Many noted that electric companies are businesses that take risks and residents should not be responsible for costs arising from these risk-taking behaviors. Some people were uncomfortable with the huge uncertainty surrounding stranded costs. In particular, Lexington citizens were concerned about stranded investments because of their experience with purchasing an interest in a nuclear power plant in the early 1980s. After they joined a power agency and bought an interest in the plant, demand decreased and nuclear power was not as favorable as it had been. In general, citizens wanted a uniform recovery system for stranded costs. A member of the board of Electricities advocated a uniform system for cost recovery and noted that Electricities’ customers have helped customers of investor-owned utilities receive lower rates.

#### **1.4 Reliability of Power Supply**

Reliability of the power supply was also a primary concern of Asheboro area citizens. One citizen said that competition does not necessarily mean good service. Several people wondered who they would call if they needed power lines repaired and when these companies would take care of repairs. One area farmer said that big businesses would probably be assured reliable service while rural residents might suffer. One person representing citizens with disabilities stressed the need for reliable service for this segment of the population. She stated that these citizens have more to lose when left without power than other citizens do.

#### **1.5 Universal Access to Electric Energy and Assignment of Responsibility to Provide It**

Many Asheboro area citizens were naturally concerned about the impact on rural residents. Some people, such as a representative of the North Carolina Rural Center, noted that rural residents may be at a disadvantage because they will have no power to fight for lower rates. The representative of one of the electric membership cooperatives said that rural residents should not subsidize commercial/industrial loads. Another person wondered if companies will want to serve rural areas and whether rural residents will have much choice in providers.

#### **1.6 Environmental Impact of Restructuring**

Citizens concerned about the environmental impact of restructuring wondered about issues such as utilities' compliance with environmental regulations and the aesthetics of additional power lines.

Many citizens expressed concern about the environmental impact of restructuring. Specifically, a member of an environmental group wondered if restructuring would make it harder for people to track utilities' compliance with environmental regulations. He wanted to know how corporate environmental performance would be evaluated. He also said more transmission lines would destroy the environment. Some attendees mentioned the need to consider aesthetics when putting new transmission lines underground; they wondered how cities would work with the utility laying the lines to address this issue. Another resident wanted utility companies to consider how they would address environmental regulations after restructuring.

## 1.7 Other Topics

Other issues in Senate Bill 38 mentioned by only one or two people were the following:

- clarification of State and federal jurisdiction;
- impact of competition on tax revenues;
- customer choice of electric providers;
- ways to eliminate or equalize subsidies and tax preferences;
- functional unbundling of electric power generation, transmission, and distribution services;
- the impact of competition on economic development; and
- the impact of competition on municipal electric utilities and rural electric cooperatives.

In addition, a few people mentioned one topic that was not listed explicitly in Senate Bill 38: consumer protection. An AARP representative said that retail competition opens up areas for potential problems (e.g., dispute resolution, fair market practices). One Orange County resident stressed the need for good information and for continued consumer protection.

## 2. THE LEGISLATIVE STUDY COMMISSION'S PROCESS

Most people who spoke at this hearing did not take a position on restructuring: eight people spoke against it, five spoke in favor of it, and 23 did not express a definite opinion.

A few Asheboro area citizens commented on the study process itself. One attendee cautioned the Commission to move slowly and carefully on this decision and not to feel pressured by the advances South Carolina and Virginia have made with respect to restructuring. In contrast, another citizen suggested North Carolina should not wait for neighboring states to forge ahead. He noted that Virginia had recently passed a bill to begin retail competition in January 2002. This citizen also stated that the Commission needed to educate the public. He pointed out that many people were confused about which power company they would call when they needed repairs or when the power went out. He claimed they did not understand that the power generators, not distributors, would be restructured; therefore, they would call the same company they call now.

In summary, most people who spoke at this hearing did not take a position on restructuring: eight people spoke against it, five spoke in favor of it, and 23 did not express a definite opinion.

# Elizabeth City Public Hearing

Commission Members or Their Representatives and Commission Staff	
Jane "Dee" Bagely, Commission Clerk	Henry Knight, President of Electronics Unlimited (Raleigh)
Melvin Daniels, former state senator and former ElectriCities director (Elizabeth City)	Sen. Robert Martin (Pitt Co.)
Richard Harkrader, architect, contractor, and developer (Durham)	Rep. Daniel McComas, Co-chair (New Hanover Co.)
Christopher Heagarty (representing Chuck Terrill, CEO) North Carolina Electric Membership Corporation (Raleigh)	Charles McKeller, Vice President of Glen Raven Mills, Inc. (Glen Raven)
Sen. David Hoyle, Co-chair (Gaston Co.)	Rep. Frank Mitchell (Iredell Co.)
Carolyn Johnson, Commission Counsel	Steven Rose, Commission Counsel
William Johnson (representing William Cavanaugh, CEO) CP&L (Raleigh)	Jesse Tilton, CEO ElectriCities (Raleigh)

This report summarizes the comments heard by the Commission on the Future of Electric Service in North Carolina at the hearing held in Elizabeth City, North Carolina, on March 5, 1998. About 300 people attended the 1.75-hour hearing, and 27 people spoke. This report is organized according to the issues raised by hearing attendees. First, we address the comments on the study's topics listed in Senate Bill 38. Only study topics that were mentioned frequently in the hearing are highlighted. The topics are presented in the order of frequency with which attendees raised them, so the most frequently mentioned topic is discussed first. After discussing the study topics, we briefly discuss topics related to the study process itself.

Many of the people at this hearing were angry about the higher-than-average electric rates they have been paying to Elizabeth City and hoped North Carolina would restructure the industry soon. Several citizens noted the rate differences between county residents and city residents and said these differences were unfair. Some citizens, however, wanted to maintain the current structure. Elizabeth City area citizens were most concerned about stranded costs and customer choice of electric providers. Hearing attendees also expressed concern about assurance of fairness and equity among all customer classes, reliability of the power supply, universal access to electric energy and assignment of responsibility to provide it, and the impact of competition on tax revenues. One person mentioned the need to eliminate or equalize subsidies and tax preferences. Although not listed explicitly in Senate Bill 38, consumer protection was also a concern.

## **1. STUDY TOPICS IN SENATE BILL 38**

### **1.1 Stranded Investment Costs and Benefits**

Stranded costs and customer choice were the primary concerns for Elizabeth City area citizens.

Several citizens expressed concern about stranded costs; many noted that these costs should be treated fairly. Current and former mayors of neighboring communities said these costs should be paid by generators and distributors, not by ratepayers. Some people noted that they were paying for nuclear power plants that were never built and recognized that someone had to pay for those plants. One citizen who said the stranded cost issue was the most important issue claimed that all of North Carolina benefited from the investment made by the municipalities that formed ElectriCities; they invested on behalf of all cities in the state, and they are entitled to a return on their investment. The superintendent of a local school district wanted to be on a level playing field with respect to rates and the recovery of stranded costs. One citizen said some of the “socialist distribution systems” in his area needed to be restructured, but he does not want to pay the bonds and debts incurred by these systems. He said the people who benefited from these systems should pay the stranded costs.

## 1.2 Customer Choice of Electric Providers

*“Deregulation will give us freedom of choice.”*

Elizabeth City area citizens were also very concerned about having a choice of provider. Many of them remarked that they pay higher rates than residents in other parts of the state. They also explained that they pay more than neighbors down the road who get their power from a different provider. They believed restructuring would give them the freedom to choose a provider with lower rates. A few mothers who spoke at the hearing wanted to lower their power bills so they could use the savings for other necessities. They also wanted to lower the power bill of their children’s school so the school could buy computers and other items. As many speakers suggested, there seemed to be a significant rate difference between power purchased by city residents and power purchased by county residents. Most Elizabeth City residents hoped restructuring would eliminate that difference and put all citizens on a level playing field.

## 1.3 Assurance of Fairness and Equity Among All Customer Classes

People spoke on behalf of residential customers, small business owners, and large users.

Many citizens wanted to ensure that all classes of customers would benefit from restructuring. An AARP representative was concerned that residential customers would not see some of the benefits of restructuring. He suggested implementing pilot programs for residential customers to see what kind of experience they would have under restructuring. Some people remarked that residential customers may be vulnerable to higher rates while large businesses will get lower rates. A former mayor of a nearby community spoke for small businesses and hoped they will be considered fairly in this process. A citizen who works with families in the rural northeastern counties stated that North Carolina should not restructure the electric utility industry unless all consumers can benefit. An electric membership cooperative customer also wondered if rural residents will benefit; he believed large consumers of power will be the primary beneficiaries. Large users wanted lower rates so they could be more competitive.

## 1.4 Reliability of Power Supply

Reliability of the power supply was also a concern of Elizabeth City area citizens. They wanted to be assured that the current level of reliability will be maintained after restructuring. A representative of

a rural economic development organization wondered how restructuring would affect reliability for rural residents in particular.

### **1.5 Universal Access to Electric Energy and Assignment of Responsibility to Provide It**

Rural residents were concerned that power providers would not find it profitable to provide service in their areas.

Some attendees were worried that rural residents would not receive fair treatment in a restructured environment. One citizen noted that rural residents will be the last to see the benefits of restructuring, because power providers probably think they cannot make money providing power to rural areas.

### **1.6 Impact of Competition on Tax Revenues**

Concerns about the impact on tax revenues reflected a variety of viewpoints. An advocate of restructuring thought restructuring would bring new business to the area, thus securing a better tax base. A local school facilities superintendent thought restructuring would mean electric rates dropping by about 20 percent, which would be equal to saving 1.5 cents on the tax rate for each taxpayer.

One resident noted that Elizabeth City and other cities do not produce their own electricity; they buy it and use the electric revenues to supplement other municipal services. He asked if restructuring occurs, what will happen to the city economies when they no longer have these additional revenues?

### **1.7 Other Topics**

Other topics in Senate Bill 38 mentioned by only one or two people were

- ways to eliminate or equalize subsidies and tax preferences;
- impact of competition on renewable energy, conservation, and efficiency programs;
- impact of competition on economic development; and
- impact of competition on municipal electric utilities and rural electric cooperatives.

Although not explicitly part of Senate Bill 38, other topics were raised by attendees. Several citizens were worried about consumer protection. They wanted to see provisions made for the

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*“It’ll be mom and pop stores vs. Wal-Mart.”*

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dissemination of information, fair marketing and billing practices, dispute resolution, and quality standards.

An electrical contractor wondered if restructuring will allow utility companies to go into other markets, such as air conditioning, appliances, and electrical contracting. He worried that these larger companies would compete with local “mom and pop” operations and take away their business.

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## **2. THE LEGISLATIVE STUDY COMMISSION’S PROCESS**

Most people who spoke at this hearing favored restructuring: four people spoke against it, 14 spoke in favor of it, and nine did not express a definite opinion.

A few Elizabeth City area citizens commented on the study process itself. One citizen said North Carolina should not wait to see what South Carolina and Virginia are going to do with respect to restructuring. He believes North Carolina should restructure now and not wait for the federal government to impose a structure on the state. Others cautioned the Commission to study the issue carefully and to make an informed decision. One attendee wished he had received the hearing notice sooner than the day of the hearing (Commission staff determined that the notice referenced by this attendee was not sent by the Commission). He noted that information needs to be disseminated in a timely manner.

In summary, a simple majority of people who spoke at this hearing supported restructuring. Four people spoke against it, 14 spoke in favor of it, and nine did not express a definite opinion.

# Wilmington Public Hearing

Commission Members or Their Representatives and Commission Staff	
Jane "Dee" Bagley, Commission Clerk	John McAlister (representing Richard PRIORITY, CEO) Duke Energy Corporation (Charlotte)
Estherine Davis (representing Jesse Tilton, CEO) ElectriCities of NC (Raleigh)	Rep. Daniel McComas, Co-chair (New Hanover Co.)
Richard Harkrader, architect, contractor, and developer (Durham)	Charles McKeller, Vice President of Glen Raven Mills, Inc. (Glen Raven)
Nell Hotchkiss (representing Chuck Terrill) North Carolina Electric Membership Corporation (Raleigh)	Rep. Frank Mitchell (Iredell Co.)
Carolyn Johnson, Commission Counsel	Sen. Fountain Odom (Mecklenburg Co.)
William Johnson (representing William Cavanaugh, CEO) CP&L (Raleigh)	Steven Rose, Commission Counsel
Sen. Robert Martin (Pitt Co.)	John Toledano, Acme-McCrary Corporation (Asheboro)

This report summarizes the comments heard by the Commission on the Future of Electric Service in North Carolina at the hearing held in Wilmington, North Carolina, on March 12, 1998. About 300 people attended the 3-hour hearing, and 56 citizens spoke. This report is organized according to the issues raised by hearing attendees. First, we address the comments on the study's topics listed in Senate Bill 38. Only study topics that were mentioned frequently in the hearing are highlighted. The topics are presented in the order of frequency with which attendees raised them, so the most frequently mentioned topic is discussed first. After discussing the study topics, we briefly discuss topics related to the study process itself.

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*For the most part, citizens at the Wilmington hearing wanted the Commission to proceed with caution, gather all of the facts, and consider all of the issues.*

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For the most part, citizens at the Wilmington hearing wanted the Commission to proceed with caution, gather all of the facts, and consider all of the issues. Several people were in favor of restructuring, many were in favor of maintaining the current structure, but most people wanted the Commission to make an informed and thoughtful decision. Frequently mentioned issues from Senate Bill 38 were reliability of the power supply, assurance of fairness and equity among all customer classes, stranded investment costs and benefits, and the impact of competition on economic development. The impact of competition on renewable energy, conservation, and efficiency programs and customer choice of electric providers were also mentioned frequently. A few speakers commented on universal access to electric energy and assignment of responsibility to provide it, the impact of competition on service to low-income consumers, the environmental impact of restructuring, and the impact of competition on tax revenues.

Attendees spoke about other topics not listed explicitly in Senate Bill 38, such as corporate citizenship, the effect of restructuring on investor-owned utilities' stock prices, and utilities branching out into other lines of business. In addition, Wilmington area citizens commented frequently on the study process itself.

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## **1. STUDY TOPICS IN SENATE BILL 38**

### **1.1 Reliability of Power Supply**

Citizens in this hurricane-prone area were definitely concerned about a reliable power supply. They wanted assurance that power would be restored quickly and repairs made in a timely manner.

Several citizens felt quite strongly about having a reliable power supply. Attendees spoke from several perspectives (e.g., residential customers, farmers, and small business owners) and expressed concern about the reliability of the power supply after restructuring. They were understandably worried about getting power restored after hurricanes. Business owners spoke about the need for reliable power to keep their businesses running. Some people said that reliability was the most important issue for the Commission to address.

### **1.2 Assurance of Fairness and Equity Among All Customer Classes**

Many citizens said that any new structure for the electric utility industry must assure fairness for all citizens. Several attendees

claimed that large consumers will get the best rates, while small residential consumers will suffer. Small business owners were also worried that they would not receive low rates, while large businesses would.

### 1.3 Stranded Investment Costs and Benefits

Many attendees hoped stranded costs would be addressed fairly, but few proposed any approaches for dealing with these costs.

Many people hoped the Commission would address the issue of stranded costs in a fair manner. Some attendees worried that small North Carolina cities might go bankrupt if they were forced to recover stranded costs. A resident of a nearby small town said that small towns cannot afford to pay these costs. One citizen noted that, if default occurs, all of North Carolina will be responsible. Others suggested spreading stranded costs over all ratepayers equally. Another citizen said any member leaving their current electricity supplier should pay their fair share of the stranded costs. One speaker said that the stranded cost problem represents a gross mismanagement and that citizens would be outraged to know they were bailing out mismanagement.

### 1.4 Impact of Competition on Economic Development

Wilmington area residents noted the special needs of their downtown: proper placement of transformers and power lines and service to renovated historic buildings. Large business owners said restructuring would help them be more competitive.

Wilmington area citizens also were concerned about the impact of restructuring on economic development in terms of the effect on small businesses and on businesses in general remaining competitive. The director of a Wilmington downtown revitalization group wondered what role power providers would take in downtown planning. One resident said that people in other states want to own the electric industry in North Carolina and that big companies will come in and wipe out the local competition. He said restructuring does not create free enterprise.

Some attendees claimed restructuring would be good for business. One advocate of restructuring noted that businesses may move elsewhere because North Carolina will not have the infrastructure to provide energy incentives. Another also noted that business location decisions are often regional, and businesses may choose to locate elsewhere if North Carolina's rates are higher than surrounding states' rates. An employee of a chemical company in the area said that his competition has lower electric bills. He noted that job losses occur once a company is no longer competitive. A small businessman said restructuring would help competition for

business and increase jobs in rural areas. Many of these advocates of restructuring noted that new growth and new business opportunities may come with restructuring.

### **1.5 Impact of Competition on Renewable Energy, Conservation, and Efficiency Programs**

Some attendees were concerned about the impact of restructuring on energy-efficiency programs and renewable energy initiatives. A representative of a realtors association said his group opposes restructuring if it eliminates incentives for energy-efficient homes. A small business owner appreciated the ability she currently has to receive loans to upgrade homes to make them more energy efficient. Another resident wanted to ensure that nuclear power would remain safe and that energy-efficiency programs would be preserved. One CP&L customer on a time-of-use rate was happy with the decrease in rates she has experienced and opposed restructuring.

An advocate of solar power wanted solar power producers to work with deregulators for a cleaner, more profitable future. He said solar power could offset generation costs by installing photovoltaic grids and high-temperature thermal systems, among other technologies. Solar/renewables programs could protect the environment, keep revenues in North Carolina, and create jobs here. A supporter of restructuring wanted renewable energy incorporated into the restructuring plan.

### **1.6 Customer Choice of Electric Providers**

Several citizens said customer choice would breed healthy competition and innovation.

Many citizens expressed the desire to choose power providers. One residential customer supported choice, believing it will lead to a competitive environment and innovative ideas. Another resident noted that North Carolina has higher electric rates than surrounding states; he said restructuring would provide choices for North Carolina consumers. Another person claimed choice would be good for low-income consumers. A citizen who had lived in several other states before settling in Wilmington said that under restructuring consumers can take their power company with them when they move. She wanted a choice in power providers for her home, church, and business. An Electricities customer said he has

the worst of all possible worlds—an unregulated monopoly. He wanted to be able to choose providers so he can find lower rates.

### 1.7 Other Topics

People were concerned about universal access, the impact of restructuring on low-income consumers, the environmental impact of restructuring, the impact of competition on tax revenues, and topics not listed in Senate Bill 38.

Other topics in Senate Bill 38 mentioned by only one or two people were

- universal access to electric energy and assignment of responsibility to provide it,
- impact of competition on low-income consumers,
- the environmental impact of restructuring, and
- impact of competition on tax revenues.

One topic not included in Senate Bill 38 but mentioned by several people was consumer protection. These people wanted to know that consumer protection issues would be addressed in a restructured environment. An alderman in a nearby community said consumers need to receive good information, and power companies need to make their bills easy to understand.

Attendees commented on other topics not listed in Senate Bill 38, such as partnerships between current power providers and the community, the effect of restructuring on investor-owned utilities' stock prices, and utilities branching out into other lines of business (one citizen proposed extending the Umstead Act to the electric industry). The mayor pro-tem of a nearby community noted that under competition power companies would need more money for advertising, thus decreasing their profits and perhaps increasing their charges on consumers.

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## 2. THE LEGISLATIVE STUDY COMMISSION'S PROCESS

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*"The propaganda is out and it's not accurate."*

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At least a third of the speakers at the Wilmington hearing commented on the Commission's study process. Many people urged the Commission to move slowly and carefully on this decision and to gather all of the information they could before making a decision. Some residents favored some restructuring of the industry but not necessarily complete deregulation. They counseled the Commission to look at lessons learned in other states and from other industries that have restructured (airline, telephone, cable). A few people pointed out that the information handed out

Most people who spoke at this hearing did not take a position on restructuring: ten people spoke against it, 17 spoke in favor of it, and 29 did not express a definite opinion.

at the hearing and some statements made by attendees were not accurate (the information handed out at the hearing was advocacy-related information, not information handed out by the Commission). They urged the Commission to gather accurate information. Advocates of restructuring favored “diligent” pursuit of a solution.

One citizen was concerned about utilities transferring funding to new businesses during the time that North Carolina studied the issue. One resident asked if the public would have the opportunity to respond to the Commission’s recommendations after the short session of the legislature. A member of the faculty at UNC-Wilmington suggested modified regulation to improve rate competitiveness. He said North Carolina needs to think 15 to 20 years down the road to when power companies need to build new generation facilities.

In summary, most people who spoke at this hearing did not take a position on restructuring. Ten people spoke against it, 17 spoke in favor of it, and 29 did not express a definite opinion.

# Gastonia Public Hearing

Commission Members or Their Representatives and Commission Staff	
Jane "Dee" Bagley, Commission Clerk	Rep. Daniel McComas, Co-chair (New Hanover Co.)
Ken Crowell (representing Chuck Terrill, CEO) North Carolina Electric Membership Corporation (Raleigh)	Rep. Frank Mitchell (Iredell Co.)
Sen. Walter Dalton (Rutherford Co.)	Sen. Fountain Odom (Mecklenburg Co.)
Rep. Jerry Dockham (Davidson Co.)	Richard Priory, CEO Duke Energy Corporation (Charlotte)
Sen. Jim Forrester (Gaston)	Steven Rose, Commission Counsel
Sen. David Hoyle, Co-chair (Gaston Co.)	Jesse Tilton, CEO Electricities (Raleigh Co.)
Carolyn Johnson, Commission Counsel	John Toledano, Acme-McCrary Corporation (Asheboro)

This report summarizes the comments heard by the Commission on the Future of Electric Service in North Carolina at the hearing held in Gastonia, North Carolina, on April 2, 1998. About 250 people attended the 2.5-hour hearing, and 44 people spoke. This report is organized according to the issues raised by hearing attendees. First, we address the comments on the study's topics listed in Senate Bill 38. Only study topics that were mentioned frequently in the hearing are highlighted. The topics are presented in the order of frequency with which attendees raised them, so the most frequently mentioned topic is discussed first. After discussing the study topics, we briefly discuss topics related to the study process itself.

Many Gastonia area citizens are Electricities customers who were very concerned about the stranded cost issue; they do not want to bear the burden of the debt. They also were very concerned about

assurance of fairness and equity among all customer classes. In addition to these concerns, hearing attendees also talked about the impact of competition on economic development, reliability of the power supply, and customer choice of electric providers. A few people mentioned the following issues: the impact of competition on municipal electric utilities and rural electric cooperatives, the impact of competition on tax revenues, and the environmental impact of restructuring. Although not listed explicitly in Senate Bill 38, consumer protection was also a concern.

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## **1. STUDY TOPICS IN SENATE BILL 38**

### **1.1 Stranded Investment Costs and Benefits**

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*Many people favored uniform recovery of these costs, claiming that the 51 ElectriCities helped the investor-owned utilities provide low-cost power to their customers over the years, so ratepayers across the state benefited.*

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Almost half of the speakers at this hearing were concerned about stranded costs. Many people favored uniform recovery of these costs, claiming that the 51 ElectriCities members helped the investor-owned utilities provide low-cost power to their customers over the years, so ratepayers across the state benefited. These speakers said that, because ratepayers across the state received benefits from this arrangement, they should also share the responsibility for paying the debt. They asserted that, if these 51 municipalities are forced to pay this debt, they will go bankrupt, which will hurt North Carolina's bond rating and affect all citizens.

Other attendees disagreed with this view. They said it is unfair to make people pay this debt when they were not even born at the time it was incurred. One person wondered if the ElectriCities municipalities should take legal action against Duke Power. Another citizen said that ElectriCities is abusing its power and providing poor service. She noted that Gastonia had taken money from the electricity fund to pay for city services, and some of this money could have gone toward paying the debt. A Gastonia city official asked the Commission to determine what is legitimate debt and what is stranded debt. He said North Carolina wants to "change the rules in the middle of the game" for ElectriCities customers. He asked for a level playing field.

### 1.2 Assurance of Fairness and Equity Among All Customer Classes

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*“Some things need to be regulated so we can go about our daily business.”*

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Several citizens wanted assurance that all classes of customers would receive equal treatment in terms of rates and service. Many said that any type of restructuring of the electric utility industry should ensure that large businesses do not benefit at the expense of residential customers and small businesses. One citizen claimed that big businesses started the discussion of this issue, and they will be the first to benefit from restructuring. Others noted the electric membership cooperatives have always supported “the little guy” because investor-owned utilities would not provide power to rural residential customers. Many speakers said big users will benefit, and small users will pay higher prices. A few people asked the Commission to consider people on fixed incomes.

### 1.3 Impact of Competition on Economic Development

Several attendees believed restructuring would help North Carolina keep and attract industry, help the state’s schools and hospitals lower their electric bills, and increase jobs.

Speakers who addressed the issue of economic development favored restructuring because they believed it would help North Carolina keep and attract industry, help the state’s schools and hospitals lower their electric bills, and increase jobs. Several representatives of large manufacturers supported restructuring so that they could increase their competitiveness. They said they pay higher electric bills compared to their competition, and they noted that jobs are at stake if they are unable to lower their electric bills. An energy manager for a large retail company stated that competition breeds innovation and increases productivity and efficiency and will result in decreased prices on goods manufactured by companies paying lower rates. He believed savings will be passed on to consumers. Several business owners were afraid North Carolina might lose business to neighboring states and other countries if we did not adopt a restructuring plan soon. One manufacturer thought restructuring would help make the investor-owned utilities better companies.

### 1.4 Reliability of the Power Supply

Several citizens were concerned that restructuring would reduce the reliability of the power supply. These people were very satisfied with their current level of reliability, and they wanted the Commission to ensure that reliability would be maintained. A few business owners stressed the need for reliable power to keep their

businesses running. Senior citizens seemed most concerned about reliability of the power supply.

### **1.5 Customer Choice of Electric Providers**

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*Large power users believed that savings from power bills will be passed on to consumers and businesses will expand.*

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In general, large industrial power users favored customer choice. They argued that choice allows all users to choose a power company offering low rates. Many people asserted that money saved by schools and hospitals on power bills can be used to upgrade school supplies and improve hospitals. Large power users said that savings from power bills will be passed on to consumers and businesses will expand. One small business owner favored customer choice, saying the best power providers will prevail. One residential user also supported customer choice; she said it will lead to better service.

### **1.6 Other Topics**

Other issues in Senate Bill 38 mentioned by only one or two people were the following:

- universal access to electric energy and assignment of responsibility to provide it,
- the impact of competition on municipal electric utilities and rural electric cooperatives,
- impact of competition on tax revenues, and
- the environmental impact of restructuring.

In addition to these issues in Senate Bill 38, several residents were concerned about the need for consumer protection after restructuring. They wanted to see provisions made for the dissemination of information, fair prices, universal service, and quality standards.

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## **2. THE LEGISLATIVE STUDY COMMISSION'S PROCESS**

Several Gastonia area citizens commented on the study process itself. They urged the Commission to study the issues carefully and to create a plan that benefits all classes of customers. One citizen asked the Commission to think 20 to 25 years down the road, to consider all of the possible scenarios, and to test their theories. Several people wanted the Commission to present the public with

Although most people did not express a definite opinion about restructuring, many people who spoke at this hearing favored restructuring: five people spoke against it, 17 spoke in favor of it, and 22 did not express a definite opinion.

options once they had narrowed them down. One attendee wanted the opportunity to vote on a plan. A few attendees suggested the Commission study the experiences of other states that have restructured already.

Several citizens also mentioned the need to educate people about this issue. They claimed that many citizens are confused about what part of the electric utility industry is being proposed for restructuring.

In summary, although most people did not express a definite opinion about restructuring, many people who spoke at this hearing favored restructuring: five people spoke against it, 17 spoke in favor of it, and 22 did not express a definite opinion.

# Statesville Public Hearing

Commission Members or Their Representatives and Commission Staff	
Jane "Dee" Bagley, Commission Clerk	Rep. Daniel McComas, Co-chair (New Hanover Co.)
Sen. James Forrester (Gaston Co.)	Charles McKeller, Vice President of Glen Raven Mills, Inc. (Glen Raven)
Richard Harkrader, architect, contractor, and developer (Durham)	Rep. Frank Mitchell (Iredell Co.)
Carolyn Johnson, Commission Counsel	Steven Rose, Commission Counsel
William Johnson (representing William Cavanaugh, CEO) CP&L (Raleigh)	John Toledano, Acme-McCrary Corporation (Asheboro)
Henry Knight, President of Electronics Unlimited (Raleigh)	Carolyn Watts (representing Chuck Terrill, CEO) North Carolina Electric Membership Corporation (Raleigh)
John McAlister (representing Richard Priory, CEO) Duke Energy Corporation (Charlotte)	

This report summarizes the comments heard by the Commission on the Future of Electric Service in North Carolina at the hearing held in Statesville, North Carolina, on April 8, 1998. About 175 people attended the 2-hour hearing, and 32 people spoke. This report is organized according to the issues raised by hearing attendees. First, we address the comments on the study's topics listed in Senate Bill 38. Only study topics that were mentioned frequently in the hearing are highlighted. The topics are presented in the order of frequency with which attendees raised them, so the most frequently mentioned topic is discussed first. After discussing the study topics, we briefly discuss topics related to the study process itself.

Most of the Statesville hearing attendees were senior citizens who were very concerned about the stranded cost issue. Some speakers

feared being taken advantage of by “shysters who want to be power brokers.” Representatives of large industrial users, who want the state to restructure as soon as possible, tried to dispel citizens’ fears about higher rates and lower reliability. Statesville area citizens were most concerned about stranded costs, followed by reliability of the power supply, assurance of fairness and equity among all customer classes, universal access to electric energy and assignment of responsibility to provide it, customer choice, and the impact of competition on tax revenues and on economic development. A few people mentioned the impact of competition on renewable energy, conservation, and efficiency programs; fair treatment of competing power providers; environmental impact of restructuring; and the impact of competition on low-income customers. Although not listed explicitly in Senate Bill 38, consumer protection, the impact on utility stockholders, line safety, increased cost of building new homes, and the placement of transmission lines were also concerns.

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## **1. STUDY TOPICS IN SENATE BILL 38**

### **1.1 Stranded Investment Costs and Benefits**

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*Residents and politicians from nearby small towns strongly felt that any restructuring plan should require the uniform recovery of stranded costs.*

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Residents and politicians from nearby small towns strongly felt that any restructuring plan should require the uniform recovery of stranded costs. They acknowledged that their towns would go bankrupt if they were forced to pay these costs. On the other hand, the mayor of a nearby town said his town cannot afford to pay ElectriCities’ debt. He claimed that, with uniform recovery of stranded costs, industry’s and small businesses’ power bills will increase. Some attendees thought these costs should be spread across all ratepayers, whereas other people thought consumers who incurred the debt should pay it. One resident who said costs should not be spread across all ratepayers said ElectriCities should figure out a solution to this problem.

## **1.2 Reliability of Power Supply**

Many attendees, most of whom were senior citizens, were concerned about having a reliable power supply.

Many citizens were concerned about having a reliable power supply. They were very pleased with their current service and level of reliability and wanted it maintained. One resident noted that transmission lines currently are not designed to carry large loads over great distances, which may affect reliability. The mayor of a nearby community said that high-tech industries moving to this area have zero tolerance for power outages. He said they needed to be assured of reliable service. Another resident said that generation is part of the reliability issue: in 5 years when reserves are depleted, what will we do? A writer for farm magazines noted that farmers need a reliable power source for their farms, and increased costs will hurt them. A few people said reliability would improve under a restructured system.

## **1.3 Assurance of Fairness and Equity Among All Customer Classes**

Many of the speakers at this hearing were rural residential customers who were concerned about getting a fair deal after the industry is restructured. An AARP representative said that the state should restructure the industry only if all consumers will benefit. Several people worried that prices will increase for small users (residential and small businesses), while large users will receive low rates. A representative of a local electric membership cooperative noted that 99 percent of their customers are residential and small businesses; he stressed that all classes of customers need to benefit.

## **1.4 Universal Access to Electric Energy and Assignment of Responsibility to Provide It**

Many citizens wondered if rural consumers would get a fair deal in a restructured environment. They feared rural consumers would pay higher prices and were concerned that utilities may not fully pay for line extensions into rural areas. As one attendee noted, these residents cannot afford to pay for line extensions. The vice president of a local electric membership cooperative said service needs to be available to everyone.

### 1.5 Customer Choice of Electric Providers

Representatives of large businesses asserted that they currently pay higher rates than their competitors.

Half of the people who mentioned customer choice as an issue were representatives of large businesses. They stressed that customer choice means allowing users to choose from a variety of sources. They said they currently pay higher electric rates than their competitors in neighboring states. One utility manager for a large business said high utility rates forced his company to restructure. Another large business owner who has businesses in several communities said his rates in Statesville were the highest.

A rural resident noted that a customer on one of the investor-owned utility's time-of-use rates saves more money than a customer on one of the electric membership cooperative's time-of-use rates. This resident said this rate difference was unfair because both customers are limiting demand, yet one reaps more benefits than the other. This resident lives near an investor-owned utility's lines, but he cannot switch providers. He favors restructuring to balance rates. Another residential customer wanted the opportunity to buy power from neighboring states where it is cheaper.

### 1.6 Impact of Competition on Tax Revenues

A few people wondered about the impact of competition on tax revenues. The mayor of a nearby community said that tax revenues from local power companies are important to state and local taxes. The mayor of Statesville, the finance director, and a resident made the same point about their town: Statesville receives franchise taxes from power companies, which helps the tax base; they are worried that the town would lose franchise taxes and sales and income taxes.

### 1.7 Impact of Competition on Economic Development

Large users thought competition would make them more competitive, increase jobs, and increase business opportunities.

Large users stated that competition will allow industry to be more competitive, increase jobs, and increase business opportunities. One rural resident thought restructuring might stifle economic development because power providers may "cherry pick" the best loads, leaving rural consumers with higher electric prices and inhibiting economic development in rural areas.

## 1.8 Other Topics

Other topics in Senate Bill 38 mentioned by only one or two people were

- the impact of competition on renewable energy, conservation, and efficiency programs;
- fair treatment of competing power providers;
- the environmental impact of restructuring; and
- the impact of competition on low-income consumers.

Although not listed explicitly in Senate Bill 38, consumer protection was a concern mentioned by some residents. They feared fraudulent power marketers would take advantage of people, so they wanted provisions in place that cover billing, disclosure, and privacy. Advocates for the elderly and less-educated citizens wanted them to be protected from dishonest power marketers who might prey on these people. They said the plan created by the state should send a strong message to power brokers about dishonest practices.

Other topics mentioned by only one or two people in each case were the impact on utility stockholders, line safety, increased cost of building new homes, and the placement of transmission lines.

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## 2. THE LEGISLATIVE STUDY COMMISSION'S PROCESS

Although most people did not express a definite opinion about restructuring, many people who spoke at this hearing did not support it: ten people spoke against it, six spoke in favor of it, and 16 did not express a definite opinion.

A few Statesville area citizens commented on the study process itself. One resident thought the people should decide this issue. Another urged the Commission to study the issues carefully.

In summary, although most people did not express a definite opinion about restructuring, many people who spoke at this hearing did not support it: ten people spoke against it, six spoke in favor of it, and 16 did not express a definite opinion.

# Boone Public Hearing

Commission Members or Their Representatives and Commission Staff	
Jane "Dee" Bagley, Commission Clerk	Charles McKeller, Vice President of Glen Raven Mills, Inc. (Glen Raven)
Sen. Walter Dalton (Rutherford Co.)	Rep. Frank Mitchell (Iredell Co.)
Sen. James Forrester (Gaston Co.)	Steven Rose, Commission Counsel
Richard Harkrader, architect, contractor, and developer (Durham)	Anna Turnage (representing Jesse Tilton, CEO) ElectriCities (Raleigh)
Sen. David Hoyle, co-chair (Gaston Co.)	Carolyn Watts (representing Chuck Terrill, CEO) North Carolina Electric Membership Corporation (Raleigh)
Carolyn Johnson, Commission Counsel	

This report summarizes the comments heard by the Commission on the Future of Electric Service in North Carolina at the hearing held in Boone, North Carolina, on April 9, 1998. About 125 people attended the 1.5-hour hearing, and 30 people spoke. This report is organized according to the issues raised by hearing attendees. First, we address the comments on the study's topics listed in Senate Bill 38. Only study topics that were mentioned frequently in the hearing are highlighted. The topics are presented in the order of frequency with which attendees raised them, so the most frequently mentioned topic is discussed first. After discussing the study topics, we briefly discuss topics related to the study process itself.

Many people were customers of the local cooperative; they were very satisfied with their service and were concerned that they would not receive the same level of service in a restructured environment. Most people, particularly senior citizens, feared their rural mountain area would not experience the benefits that urban

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*Boone area citizens were most concerned about assurance of fairness and equity among all customer classes.*

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areas would experience. In contrast, several young people spoke in support of restructuring, because they believed it would open up the power market to renewable energy sources. Boone area citizens were most concerned about assurance of fairness and equity among all customer classes. Other frequently mentioned topics were universal access to electric energy and assignment of responsibility to provide it; reliability of the power supply; impact of competition on renewable energy, conservation, and efficiency programs; and stranded costs. A few people mentioned fair treatment of competing power providers, customer choice, the impact of competition on service to low-income customers, impact of competition on economic development, and impact of competition on municipal electric utilities and rural electric cooperatives. Although not listed explicitly in Senate Bill 38, consumer protection and corporate citizenship were also mentioned.

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## **1. STUDY TOPICS IN SENATE BILL 38**

### **1.1 Assurance of Fairness and Equity Among All Customer Classes**

Several citizens said prices for residential users would probably increase in a restructured environment.

Many of the speakers at this hearing wanted to know that residential customers would be treated fairly after the industry is restructured. An AARP representative said that the state should restructure only if it will benefit all consumers. Several people worried that prices will increase for small users (residential and small businesses), while large users will receive low rates. These people were worried that the “little guy” would not see the benefits of restructuring that large users would experience. A representative of a local electric membership cooperative noted that 99 percent of their customers are residential and small businesses; he stressed that all classes of customers need to benefit.

### **1.2 Universal Access to Electric Energy and Assignment of Responsibility to Provide It**

Many of the speakers at this hearing were rural customers who were concerned about getting a fair deal after the industry is restructured. Another important issue for Boone area residents was

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*Many of the speakers at this hearing were rural customers who were concerned about getting a fair deal after the industry is restructured.*

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universal access. Because they live in a rural area, they were concerned about receiving the same level of service they currently receive from their cooperative. They noted that it is cheaper to provide service to densely populated and more easily accessible areas. They said rural residents would have to pay higher costs for their power and they would not have the choices that other parts of the state would have in choosing a power provider. Many people said rural residents should support their local cooperative because that company serves them well and contributes to the community. The mayor of a nearby town claimed having a corporate decisionmaker located far from rural North Carolina would be less effective than the current structure.

### **1.3 Reliability of Power Supply**

Reliability of the power supply was also an important issue for Boone area residents. As noted above, citizens were very satisfied with their current level of service and reliability and did not want it to change. Many people, especially farmers, said they might receive less reliable service in a restructured environment. In general, citizens urged the Commission to ensure that their current level of reliability would be exceeded or maintained after restructuring.

### **1.4 Impact of Competition on Renewable Energy, Conservation, and Efficiency Programs**

Several citizens supported restructuring and hoped it would mean consumers could choose "green" generators.

Several younger attendees spoke in favor of restructuring because they saw it as an opportunity to open the power market to renewable energy suppliers. They noted that renewable energy could be part of the mainstream power supply in a restructured environment. They stressed the need to find nonfossil-fuel power sources and to avoid using a power supply that is vulnerable to price increases and shortages. These advocates claimed that solar and hydroelectric power are reliable and clean. One speaker said people would be willing to pay more for a clean energy source.

### **1.5 Stranded Investment Costs and Benefits**

A few people mentioned the stranded cost issue. They said a fair method needed to be developed to resolve this issue. An Allegheny County resident hoped stranded costs would not be distributed

across the board. Another resident said these costs should be resolved in a fair and equitable manner, but that parts of the state that did not derive any benefits from these investments should not have to pay the debt. A town manager of a nearby community supported uniform recovery and said existing utilities must be allowed to recover stranded costs; he claimed restructuring can create serious consequences for municipalities that own electric distribution systems. An AARP representative said ratepayers should not have to pay stranded costs; utilities should pay, but they should not pay more than 50 percent of these verifiable costs.

### 1.6 Other Topics

Other topics in Senate Bill 38 mentioned by only one person in each case were

- fair treatment of competing power providers,
- customer choice of electric providers,
- impact of competition on service to low-income consumers,
- impact of competition on economic development, and
- impact of competition on municipal electric utilities and rural electric cooperatives.

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*“Main Street vs. Wall Street: compassion vs. competition”*

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Several people were concerned about how power providers’ corporate citizenship efforts might change in a restructured environment. One attendee described how the co-ops have compassion for people living in their service territories, while companies located in other states may not. A couple of people illustrated how the local co-op had improved their community, for example, by helping people who lost jobs recently.

Although not listed explicitly in Senate Bill 38, consumer protection was discussed by a few people. Speakers hoped consumers would be protected from fraud and telemarketers and would be assured high standards of service.

## **2. THE LEGISLATIVE STUDY COMMISSION'S PROCESS**

Many people asked the Commission to study the experience of other states before making a decision.

Of the Boone area citizens who commented on the study process itself, most urged the Commission to study the issues carefully. A couple of speakers asked the Commission to study the experiences of other states that have restructured their electric utility industries and to learn from their mistakes.

Most people did not express a definite opinion about restructuring: five people spoke against it, seven spoke in favor of it, and 18 did not express a definite opinion.

In summary, most people did not express a definite opinion about restructuring: five people spoke against it, seven spoke in favor of it, and 18 did not express a definite opinion.

# Asheville Public Hearing

Commission Members or Their Representatives and Commission Staff	
Jane "Dee" Bagley, Commission Clerk	Charles McKeller, Vice President of Glen Raven Mills, Inc. (Glen Raven)
Alice Garland (representing Jesse Tilton, CEO) ElectriCities (Raleigh)	Rep. Frank Mitchell (Iredell Co.)
Carolyn Johnson, Commission Counsel	Steven Rose, Commission Counsel
John McAlister (representing Richard Priory, CEO) Duke Energy Corporation (Charlotte)	Robert Schwentker (representing Chuck Terrill, CEO) North Carolina Electric Membership Corporation (Raleigh)
Rep. Daniel McComas, Co-chair (New Hanover Co.)	Mitchell Williams (representing William Cavanaugh, CEO) CP&L (Raleigh)

This report summarizes the comments heard by the Commission on the Future of Electric Service in North Carolina at the hearing held in Asheville, North Carolina, on April 16, 1998. About 200 people attended the 2.5-hour hearing, and 37 people spoke. This report is organized according to the issues raised by hearing attendees. First, we address the comments on the study's topics listed in Senate Bill 38. Only study topics that were mentioned frequently in the hearing are highlighted. The topics are presented in the order of frequency with which attendees raised them, so the most frequently mentioned topic is discussed first. After discussing the study topics, we briefly discuss topics related to the study process itself.

Asheville hearing attendees enthusiastically applauded speakers who urged the Commission to consider the impacts on rural areas and on the environment because this area's economy depends on travel and tourism. Although most people did not express a definite opinion on restructuring, they urged the Commission to proceed

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*Asheville area citizens were most concerned about assurance of fairness and equity among all customer classes and reliability of the power supply.*

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cautiously and to gather accurate information. Asheville area citizens were most concerned about assurance of fairness and equity among all customer classes and reliability of the power supply. Other frequently mentioned topics were universal access to electric energy and assignment of responsibility to provide it, the impact of competition on tax revenues, impact of competition on economic development, stranded investment costs and benefits, environmental impact of restructuring, and customer choice of electric providers. Although not listed explicitly in Senate Bill 38, consumer protection, impact on energy reserves, and corporate citizenship were also mentioned.

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## **1. STUDY TOPICS IN SENATE BILL 38**

### **1.1 Assurance of Fairness and Equity Among All Customer Classes**

Most speakers who were concerned about this issue said large industrial users will benefit while the “little guy” will probably not see any benefits of restructuring. They claimed large users will probably receive lower rates because they have the power to negotiate for them. Small business and residential customers may have to compensate for these low rates by paying higher rates. In contrast, attendees who spoke on behalf of large users claimed all customer classes will benefit and will receive lower rates.

### **1.2 Reliability of Power Supply**

In general, large and small users differed in their opinions on the effect of competition on reliability. Large users said reliability would improve; small users thought they would not get high-quality service.

Many citizens were afraid reliability would suffer in a competitive environment. A couple of attendees noted that reliability was more important than lower rates. One person said that in his business a 40 to 50 percent decline in rates could be wiped out in a 1-day loss of revenue resulting from lack of service. Small business owners wanted to be assured that problems will be addressed quickly. Large users said that power providers will actually compete on price and reliability—power providers will be forced to provide high-quality service, and reliability and service will actually improve.

### 1.3 Universal Access to Electric Energy and Assignment of Responsibility to Provide It

Universal access to high-quality service was also an important issue for Asheville area citizens. Some people wondered if power providers will be required to provide power in this mountainous rural area. Many people compared restructuring of the electric utility industry to restructuring of other industries, such as cable TV and airlines, and said that service declined in those industries for them. They feared restructuring of the electric industry would be the same way. Some people said hard to reach places may suffer. Others noted that many rural residents did not want to give up the personal relationship they have with their co-op; they envisioned having to talk to an answering machine in some distant state when they needed problems addressed.

### 1.4 Impact of Competition on Tax Revenues

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*Several citizens said property tax revenues from local power providers would decline if the industry restructured.*

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Citizens wondered about the impact of competition on tax revenues. Several citizens said property tax revenues from local power providers would decline if the industry restructured and wondered if utilities that do not own facilities in the county will have an unfair advantage. The mayor of a nearby small community said local governments will feel the effect on their tax base because local providers now pay taxes and fees, and this money is used to provide services to the community. The tax base may decline and services may decrease; local governments need to be able to recoup the tax base. A member of the Asheville Chamber of Commerce was concerned that the loss of tax revenues would have a negative effect on education.

### 1.5 Impact of Competition on Economic Development

Large power users believed North Carolina would be able to attract new business, create more jobs, and improve schools and hospitals.

Large power users made the case that North Carolina would grow economically in a restructured environment because businesses would be more competitive and would be able to pass on savings to customers. Companies would be able to save jobs if power bills were not so high. Large users said the state would be able to attract more businesses and increase job growth. They believed schools, hospitals, and residents will see the benefits of restructuring. A local paper mill employee said that his company has had to decrease the cost of their product to stay competitive in a global marketplace. Another large user from a nearby textile mill asserted

that North Carolina's high power rates created a penalty for doing business in the state that totals millions of dollars.

Speakers that were more doubtful of restructuring's benefits wanted the Commission to study the positive and negative effects on economic development and the business climate. They said restructuring could lead to less confidence in the power system. One other aspect of economic development that was relevant in Asheville was the impact on revitalizing historic buildings. The Asheville downtown development manager noted that these buildings have special needs that power providers must consider.

### **1.6 Stranded Investment Costs and Benefits**

Hearing attendees had different opinions on the stranded cost issue. Some speakers asked the Commission to deal fairly with stranded costs and to not leave local governments "holding the bag." A speaker who opposed restructuring said the state had three options in addressing stranded costs: power providers will have to charge higher rates to cover these investments, thereby forcing utilities to go bankrupt; consumers in certain areas may have to pay a surcharge; or costs will be spread over all ratepayers. He did not support any of these options. An Association of Realtors representative worried that restructuring would shift stranded costs to low-income families and small businesses. A utility auditor suggested all ratepayers should pay, stating that this is an unusual and unfair situation.

### **1.7 Environmental Impact of Restructuring**

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*Many citizens were concerned about the impact on the environment because their economy depends on travel and tourism.*

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Many citizens were concerned about the impact on the environment because their economy depends on travel and tourism. A representative from a local tourist attraction commented that North Carolina utilities have done a good job of reducing emissions, whereas low-cost utilities in other states have not. He wondered if local utilities will be at a competitive disadvantage under restructuring and if environmental quality would suffer. Another citizen worried that restructuring might cause power providers to restart highly polluting coal-fired power plants, which would negatively affect the environment and travel and tourism in the western part of the state.

### 1.8 Customer Choice of Electric Providers

In general large users supported customer choice of power providers. They wanted the opportunity to purchase cheaper power to help them stay competitive. A couple of Yancey County residents supported customer choice, saying that lower rates will help families, the elderly, low-income residents, and job creation. They said they are paying too much for power currently; they have no choice and high rates. A utility auditor said that many customers could reduce their current costs if they knew how. He noted that there are large differences between Duke Power's and CP&L's rates.

### 1.9 Other Topics

Other topics in Senate Bill 38 mentioned by only one or two people in each case were

- obligation to serve and the obligation to receive service;
- functional unbundling of electric power generation, transmission, and distribution services;
- impact of competition on service to low-income consumers; and
- impact of competition on renewable energy, conservation, and efficiency programs.

Citizens were also concerned about consumer protection, the impact on energy reserves, and corporate citizenship.

Although not listed explicitly in Senate Bill 38, consumer protection was discussed by a few people. Speakers hoped consumers would be protected from fraud and telemarketers and would be assured high standards of service. A couple of citizens mentioned the impact on energy reserves. They wanted assurance that the energy supply would be adequate, especially in emergencies. Corporate citizenship was another issue mentioned by a few people who noted that local power providers get involved in their communities. They do not want to lose the "neighbor helping neighbor" attitude they currently have from local providers.

## 2. THE LEGISLATIVE STUDY COMMISSION'S PROCESS

Of the Asheville area citizens who commented on the study process itself, most urged the Commission to proceed slowly and to study the issues carefully. They wanted the Commission to develop a

Most people did not express a definite opinion about restructuring: two people spoke against it, eight spoke in favor of it, and 27 did not express a definite opinion.

plan that treats all customers fairly. A couple of speakers asked the Commission to study the experiences of other states that have restructured their electric utility industries and to learn from their mistakes.

In summary, most people did not express a definite opinion about restructuring: two people spoke against it, eight spoke in favor of it, and 27 did not express a definite opinion.

# Raleigh Public Hearing

Commission Members or Their Representatives and Commission Staff	
Jane "Dee" Bagley, Commission Clerk	Rep. Daniel McComas, Co-chair (New Hanover Co.)
C. Terry Callender, Vice President of NGC Corporation (Houston)	Charles McKeller, Vice President of Glen Raven Mills, Inc. (Glen Raven)
Sen. Roy Cooper (Nash Co.)	Rep. Frank Mitchell (Iredell Co.)
Sen. Walter Dalton (Rutherford Co.)	Sen. Fountain Odom (Mecklenburg Co.)
Melvin Daniels, former state senator and former ElectriCities director (Elizabeth City)	Sheila Hale Ogle, President of Media Research Planning and Placement (Cary)
Richard Harkrader, architect, contractor, and developer (Durham)	Richard B. Priory, CEO Duke Energy Corporation (Charlotte)
Sen. David Hoyle, co-chair (Gaston Co.)	Steven Rose, Commission Counsel
Carolyn Johnson, Commission Counsel	Chuck Terrill, CEO North Carolina Electric Membership Corporation (Raleigh)
William Johnson (representing William Cavanaugh, CEO) CP&L (Raleigh)	Jesse Tilton, CEO ElectriCities (Raleigh)
Henry Knight, President of Electronics Unlimited (Raleigh)	John Toledano, Acme-McCrary Corporation (Asheboro)

This report summarizes the comments heard by the Commission on the Future of Electric Service in North Carolina at the hearing held in Raleigh, North Carolina, on April 23, 1998. About 250 people attended the 3-hour hearing, and 63 people spoke. This report is organized according to the issues raised by hearing attendees. First, we address the comments on the study's topics listed in Senate Bill 38. Only study topics that were mentioned frequently in the hearing are highlighted. The topics are presented in the order of frequency with which attendees raised them, so the most frequently

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*Raleigh area citizens were most concerned about assurance of fairness and equity among all customer classes and reliability of the power supply.*

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mentioned topic is discussed first. After discussing the study topics, we briefly discuss topics related to the study process itself.

Many viewpoints were heard at the Raleigh hearing—from farmers and urban residents to a high school student and a representative of the Hispanic community. Raleigh area citizens were most concerned about assurance of fairness and equity among all customer classes and reliability of the power supply. Other frequently mentioned topics were universal access to electric energy and assignment of responsibility to provide it, stranded investment costs and benefits, and customer choice of electric providers. Several citizens also commented on the impact of competition on economic development and on service to low-income customers. Fewer citizens mentioned the environmental impact of restructuring; the impact of competition on tax revenues; and the impact of competition on renewable energy, conservation, and efficiency programs. Although not listed explicitly in Senate Bill 38, corporate citizenship, the impact on competition with electrical contractors, the impact on investor-owned utility stockholders, and consumer protection were also mentioned.

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## **1. STUDY TOPICS IN SENATE BILL 38**

### **1.1 Assurance of Fairness and Equity Among All Customer Classes**

One speaker suggested opening up the industry to competition in the residential market first to see how it worked. If residential users did in fact benefit from competition, then the state could extend competition to other customer classes.

Most people wanted all citizens to receive service at a reasonable cost. Several speakers wanted assurance that residential customers and small businesses would receive equal treatment in a restructured environment. Several people referenced an article in the April 22 issue of the *Wall Street Journal* that described Enron, a power provider in California, pulling out of the residential market. They feared a similar trend might occur in North Carolina. An AARP member suggested that the state open up competition in the residential market first to see how it worked, then extend it to other customers if residential users did in fact benefit from competition.

Many citizens said big businesses will reap the benefits of restructuring while smaller users would not because they do not have the power to negotiate low rates. Some people cited examples of restructuring of other industries where large users have benefited more than small users have. A representative of the

North Carolina Hispanic Chamber of Commerce said many small businesses do not have the in-house capability to evaluate new electricity choices. One person noted that the current structure is unfair because large users subsidize small users. He advocated setting up a commission to provide fair rates for everyone that avoid the size bias that currently exists.

In contrast, supporters of restructuring thought it would ensure fair treatment for all customer classes. A representative of the chemical manufacturing industry said if restructuring is implemented properly, all customers should benefit.

## 1.2 Reliability of Power Supply

Residential users, business customers, and farmers all wanted reliable service to continue in a restructured industry.

Reliability was also an important issue for Raleigh area citizens. Many people described the fairly recent experience of Hurricane Fran and CP&L's effort to restore power quickly to its customers. A representative of the Farm Bureau Federation spoke for farmers, stressing the importance of reliable power to them. Another farmer said that service and reliability are more important than saving a few dollars. A representative of the state's soybean producers said reliability was the most important issue in this debate. A representative of the Association of Nurserymen also claimed that a lapse in reliable service can mean a loss of livelihood.

Advocates for the disabled stressed the need for reliable service for this population. Another citizen said North Carolina needs a system of back-up power. A Raleigh resident made a similar point—he said the state needs to ensure generating capacity for 10 to 20 years down the road.

Supporters of restructuring claimed restructuring might make the power supply more reliable than it is currently. They said power providers would be forced to provide reliable service or else customers would take their business elsewhere.

## 1.3 Universal Access to Electric Energy and Assignment of Responsibility to Provide It

Advocates for rural residents questioned whether these customers would benefit from restructuring. People wondered if rural residents would get lost in the shuffle because power providers incur more costs to provide electricity to rural areas. A

representative of the state's soybean producers noted that one-half of North Carolina's citizens live in rural areas served by co-ops. A representative from the North Carolina Rural Center said the key to the economic future of the state's rural areas is electricity. He wondered if the Commission's recommendations would ensure continued service to rural areas. He noted that rural leaders partner with co-ops and power providers and rely on the expertise they find there.

#### **1.4 Stranded Investment Costs and Benefits**

Representatives of several small communities asked the Commission to avoid spreading stranded costs over all ratepayers.

Many people who spoke about the stranded cost issue did not want these costs spread across all ratepayers. The most vocal opponents were from three communities that were formerly served by an ElectriCities member. Representatives from Black Creek, Lucama, and Stantonsburg explained how they had paid high rates until recently when they invested \$2.35 million to build their own electric system infrastructure, thus allowing them to leave the ElectriCities system and access the wholesale market on their own. These communities said they have paid enough already; they do not want to pay additional fees to satisfy the stranded cost debt. A representative of the North Carolina Senior Citizens Federation asked the Commission to say no to an energy tax to pay ElectriCities' debt. A member of North Carolina Retired School Personnel also did not want to pay an energy tax. An AARP spokesperson wanted stranded costs to be resolved fairly and equitably between all classes of consumers and taxpayers; he had reservations about imposing a surcharge on consumers.

#### **1.5 Customer Choice of Electric Providers**

*"Green power will be a major force in a deregulated environment."*

In general, large users and solar energy advocates favored customer choice. They said customers will be able to choose lower-cost providers and providers who use renewable energy. An architect and member of the Solar Energy Association said "green power will be a major force in a deregulated environment." Supporters of customer choice said schools will save money that they can use for other necessities. A representative of the Northwest Region Education Service Alliance claimed North Carolina could save about \$20 million on its schools' power bills. An NC<sup>4</sup>E member said all types of customers—residential, business, industrial,

schools, and hospitals—will benefit from the ability to choose providers.

Several people asserted that North Carolina has some of the highest rates in the southeastern United States. They claimed these high rates hurt senior citizens and low-income consumers. They wanted the opportunity to choose a lower-cost provider.

Some people compared the electric utility industry to the telecommunications industry and argued that their power bills would probably decrease because their phone bills decreased when the telecommunications industry was restructured. An Apex high school student wanted freedom of choice as he faces paying electric bills in college. He said that monopolies raise prices and deliver lower levels of service; competition will lower prices, increase service, and spur technological advances.

### **1.6 Impact of Competition on Economic Development**

Not everyone agreed that restructuring would enhance the state's economic development efforts. A representative of the Farm Bureau Federation noted the significance of agriculture to the state's economic development and the importance of electricity to farmers. He implied that restructuring may mean reduced reliability and service, which would negatively affect the agricultural industry and the state's economic development. A representative of Cary's Chamber of Commerce wanted the Commission to ensure that economic development within North Carolina remains competitive if the industry is restructured.

Many supporters of restructuring said economic development in the state would benefit in a restructured environment because industries would be able to get lower power rates and increase their efficiency. Businesses will expand and provide more jobs for North Carolina citizens.

### **1.7 Impact of Competition on Service to Low-Income Consumers**

Several people asked the Commission to consider the impact of restructuring on low-income consumers. A former senator and utility commission member said that a change of this type means there will be winners and losers, and he cautioned the Commission

Speakers noted that low-income consumers might be especially vulnerable to unfair practices if the industry is restructured.

to ensure that there are no losers. He urged the Commission to consider people on low and fixed incomes and to include a low-income assistance fund in any new plan for the industry. A representative of Wake County Opportunities asked the Commission to consider low-income people and to create protection for them under a new structure as they have now under the current structure.

Another citizen said these people may need help deciphering the complexities of a restructured industry. People also noted that the poor and the elderly were vulnerable to scams by power marketers. Another advocate for the poor mentioned that 4,000 families in Raleigh were transitioning from welfare to work; she said volatile prices could hurt them and they need utility assistance programs.

A few advocates of restructuring thought low-income consumers might receive lower rates.

## 1.8 Other Topics

Other topics in Senate Bill 38 mentioned by only a few people in each case were

- environmental impact of restructuring;
- the impact of competition on tax revenues; and
- the impact of competition on renewable energy, conservation, and efficiency programs.

Corporate citizenship, the impact on competition with electrical contractors, the impact on investor-owned utility stockholders, and consumer protection were also topics of concern for Raleigh area citizens.

Although not listed explicitly in Senate Bill 38, corporate citizenship, the impact on competition with electrical contractors, the impact on investor-owned utility stockholders, and consumer protection were also mentioned. Several people were concerned about how power providers' corporate citizenship efforts might change in a restructured environment. They described how power company employees volunteer in the community and how the companies invest their financial resources in the community. Some also mentioned that local companies give low-interest loans for equipment.

Another topic raised by a couple of people was the impact on competition with electrical contractors. An attorney who represents the Carolina Electrical Contractors Association said utilities may have an unfair advantage if the industry restructures because they can get volume discounts, better financing rates, and

favorable equipment rental rates, and they have name recognition and unique access to customers.

People who live on dividends from investor-owned utilities' stock were concerned about the impact of competition on their stock values. They asked the Commission to avoid jeopardizing safe investments.

Consumer protection was discussed by a few people. Speakers hoped consumers would be protected from fraud and telemarketers and would be assured high standards of service. They stressed the need to educate the public about this issue.

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## 2. THE LEGISLATIVE STUDY COMMISSION'S PROCESS

Most people did not express a definite opinion about restructuring: five people spoke against it, 15 spoke in favor of it, and 43 did not express a definite opinion.

Most Raleigh area citizens who commented on the study process urged the Commission to gather all of the facts and study the issues carefully. Several speakers asked the Commission to study the experiences of other states that have restructured their electric utility industries and to learn from their mistakes. A representative of the North Carolina Senior Citizens Federation told the Commission "don't change the tire when the car is moving"—work out the problems *before* restructuring the industry.

In summary, most people did not express a definite opinion about restructuring: five people spoke against it, 15 spoke in favor of it, and 43 did not express a definite opinion.